GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:680
ANSWERED ON:03.12.2004
REVAMPING OF RRBS
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has any proposal for revitalizing/revamping the structure of Regional Rural Banks to enable them to play a critical role in the achievement of the development targets in rural credit in order to meet the pressures arising in the agricultural sector;

(b) if so, whether the Union Government is also having a proposal to amalgamate the Regional Rural Banks to form National Rural Banks like NABARD having minimum 51% share of the Government of India;

(c) if so, the details thereof

(d) the steps the Union Government has taken in this regard; and

(e) the tirne by which the National Rural Bank is likely to be formed?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S.PALANIMANICKAM)

(a) to (e) : Several options for restructuring of Regional Rural Banks (RRBs) have been suggested. These include, inter-alia, de-linking of RRBs from Sponsor Banks, amalgamation of RRBs at regional or state level, merger with Sponsor Banks, making RRBs subsidiaries of the Sponsor Banks, their consolidation into a National Rural Bank etc. Creation of the National Rural Bank of India has not been favoured as it requires huge capalitisation and may lead to a monolithic institution with a vast area of operations and an unmanageable number of branches. Discussions in this regard have so far remained inconclusive. In the meantime, Government has decided that each sponsor bank will be held squarely accountable for the performance of RRBs under its control. RRBs that adopt a new governance standard and that abide by the prudential regulations will qualify for receiving funds from the Government for restructuring.